

## Message Text

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ORIGIN AF-18

INFO OCT-01 ISO-00 EB-11 COME-00 TRSE-00 OPIC-12 OMB-01

CIAE-00 DODE-00 INR-10 NSAE-00 PA-03 RSC-01 USIA-15

PRS-01 L-03 H-03 INT-08 /087 R

DRAFTED BY AF/E:TJBURKE:CRJ

9/10/73 EXT 2885L

APPROVED BY EB - MR. ARMSTRONG

AF/E:WBCOOTE

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R 102321Z SEP 73

FM SECSTATE WASHDC

TO AMEMBASSY LUSAKA

C O N F I D E N T I A L STATE 179711

SUBJECT:REVISION MINE TAKEOVER AGREEMENTS

1. AMERICAN METAL CLIMAX VP J.D. WALCOTT CALLED ON ASSIST-  
ANT SECRETARY ARMSTRONG SEPTEMBER 10 TO EXCHANGE VIEWS ON  
GRZ ANNOUNCED INTENTIONS REVISE 1969 AGREEMENTS. WALCOTT  
TOOK RATHER RELAXED LINE GENERALLY ALTHOUGH HE DID INDI-  
CATE THAT AMAX WAS ANGRY AT WAY MATTER HAD BEEN HANDLED BY  
GRZ.

2. WALCOTT SAID THAT GOVERNOR OF CENTRAL BANK KUWANI HAD  
HINTED IN CONVERSATION WITH HIM LAST WEEK THAT PERHAPS  
THINGS COULD BE WORKED OUT IN WAYS SATISFACTORY TO BOTH GRZ  
AND COMPANIES.

3. WALCOTT, IN RESPONSE TO QUESTION, SAID HE DID NOT THINK  
THAT SYNDICATORS OF RECENT EURODOLLAR LOANS WOULD ATTEMPT  
TO "CALL" THEM ON GROUNDS OF IMPROPER UTILIZATION AND THAT  
AMAX WOULD NOT PRESS FOR SUCH ACTION. HE SAID THAT GRZ HAD  
APPARENTLY ALREADY TRANSFERRED SUFFICIENT FUNDS TO ENABLE  
IT PAY OFF ZIMCO BONDS IMMEDIATELY AND HE EXPECTED THAT SUCH  
PAYOFF MIGHT TAKE PLACE MOMENTARILY. WALCOTT INDICATED THAT  
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HE FELT HASTY ACTION BY GRZ HAD BEEN ILL-ADVISED AND

HAZARDED GUESS THAT IF GOVERNMENT HAD ENGAGED COMPANIES IN NEGOTIATIONS, IT PROBABLY WOULD HAVE ACHIEVED DESIRED BONDS. AT SMALLER COST THAN PRICE OF REDEMPTION OF BONDS.

4. ON IMPLICATIONS FOR FUTURE, WALCOTT SAID HE THOUGHT THAT OVER THE LONG RUN, RETENTION OF PERSONNEL WOULD BE GREATEST PROBLEM FOR GRZ AND ALLUDED TO FACT THAT COMPANIES ALREADY HAD SOME DIFFICULTY IN RETAINING KEY MANAGEMENT PERSONNEL BECAUSE OF POLITICAL CLIMATE IN ZAMBIA. HE SAID THAT PLAN WHICH COMPANY HAD TO DEVELOP A LARGE COPPER DEPOSIT IN WESTERN ZAMBIA, UTILIZING COMPANY FUNDS, WAS NOW CLEARLY OUT OF QUESTION.

5. WALCOTT STATED THAT AMAX NOT SEEKING ANY SPECIFIC ACTION BY USG NOW ALTHOUGH IT MIGHT WISH DO SO AS SITUATION CLARIFIED DURING PROGRESS VUILLEQUEZ CONVERSATIONS IN ZAMBIA. HE SUGGESTED THAT MOOD IN AMAX WAS SUCH THAT, SHOULD DEVELOPMENTS INDICATE NEED, THERE WOULD BE NO HESITATION INVOKE CLAUSE IN 1969 AGREEMENTS CALLING FOR IBRD ARBITRATION. HOWEVER, AMAX NOT YET AT POINT OF MAKING THAT DECISION.

6. ASSISTANT SECRETARY ARMSTRONG INDICATED THAT DEPARTMENT WAS FOLLOWING MATTER CLOSELY AND WOULD APPRECIATE BEING KEPT INFORMED BY AMAX OF DEVELOPMENTS. WALCOTT AGREED DO SO. RUSH

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## Message Attributes

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**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** NATIONALIZATION, COPPER, BONDS (SECURITIES), DEBT REPAYMENTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 10 SEP 1973  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** collinp0  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1973STATE179711  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** TJBURKE:CRJ  
**Enclosure:** n/a  
**Executive Order:** GS ARMSTRONG  
**Errors:** N/A  
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**Office:** ORIGIN AF  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
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**Page Count:** 2  
**Previous Channel Indicators:**  
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**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** collinp0  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 14 JAN 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <14-Jan-2002 by boyleja>; APPROVED <27 FEB 2002 by collinp0>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** REVISION MINE TAKEOVER AGREEMENTS  
**TAGS:** EMIN, EFIN, ZA, AMERICAN METAL CLIMAX  
**To:** LUSAKA  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005